



Reduction of Penalties

Fact Sheet

November 2006

Reduction of Penalties Overview

Indiana counties typically collect property taxes annually in two equal installments – May 10 and Nov. 10. In the past, taxpayers who missed these deadlines faced a 10 percent penalty for late payment. However, starting with taxes payable in 2007, taxpayers face a 5 percent penalty for late payment if they make payment within the first 30 days following the deadline and do not have delinquent taxes on the same parcel from the previous year. The penalty returns to 10 percent for payments made after the first 30 days or for payments made on parcels with late taxes from the previous year.

Taxpayer Impact

The reduction of penalties benefits property owners who forgot or overlooked payment of property taxes. If paid within the first 30 days, a taxpayer who has no late taxes from the previous year is only required to pay a 5 percent penalty for late payment. Although the penalty returns to 10 percent after 30 days, this month of reduced penalty limits the cost of the mistake to those who forgot or overlooked the payment. Taxpayers continue to remain eligible for the reduced penalty as long as they are not liable for any delinquent taxes on the parcel from the prior year. A delinquent payment in the first installment does not disqualify a property owner from the 30-day decreased penalty for the fall installment on the same parcel.

The change in the penalty percentages does not change the process for paying taxes. Property owners should make payment to the county in the same manner in which they have in the past.

How It Works

Following the due date for property taxes, the county will review all parcels that are past due. Those with no prior year delinquencies will qualify for a 5 percent penalty for the first 30-days following the due date. Those with a delinquency on the parcel in the prior year will not qualify.

Eligibility for reduced penalty is determined on a parcel-by-parcel basis. A taxpayer who owns multiple parcels may qualify for reduced penalty on one parcel with no prior year delinquency and not qualify on another that has a prior year delinquency.

Counties should continue to identify penalties as first installment and second installment penalties. Counties should show the penalties charged on the first installment on the apportionment sheet. The settlement sheet should reflect the final penalties charged for first collection. Counties should show the final second installment penalty as of the 31st day after the fall tax due date on the next year's Abstract.

Frequently Asked Questions

Q: When is the new reduction in penalties effective?

A: The reduction of penalties becomes effective for taxes first payable after Jan. 1, 2007. In the past, taxpayers who missed property tax deadlines faced a 10 percent penalty for late payment immediately following the due date. However, after Jan. 1, 2007, taxpayers face a 5 percent penalty for late payment if they make payment within the first 30 days following the deadline and do not have delinquent taxes on the same parcel from a previous year. The penalty returns to 10 percent for payments made after the first 30 days or for payments made on parcels with late taxes from the previous year.

Q: Does the 30-day reduction in penalties apply to both real and personal property?

A: The reduction of penalties does apply to both real and personal property taxes. The reduction in penalties does not change the penalty for failure to file a personal property return.

Q: When does a taxpayer become ineligible for the reduction in penalties?

A: A taxpayer who has no late taxes from the previous year is only required to pay a 5 percent penalty for late payment on taxes first payable after Jan. 1, 2007. Although the penalty returns to 10 percent after 30 days, this month of reduced penalty limits the cost of the mistake to those who forgot or overlooked the payment of taxes. Taxpayers continue to remain eligible for the phased-in penalty as long as they are not liable for taxes on the parcel from the prior year. A delinquent payment in the first installment does not disqualify a property owner from the 30-day decreased penalty on the second installment.

Q: If a taxpayer has multiple parcels, is he or she still eligible for the reduction?

A: Eligibility for reduced penalty is determined on a parcel-by-parcel basis. A taxpayer who owns multiple parcels may qualify for reduced penalty on one parcel with no prior year delinquency and not qualify on another that has a prior year delinquency.

Q: What does the taxpayer file to receive the reduction in penalties?

A: Taxpayers are not required to file for the reduction in penalties. The county calculates the reduction automatically for qualifying property. Taxpayers continue to remain eligible for the phased-in penalty as long as they are not liable for any delinquent taxes on the parcel from the prior year.

Contact Information

For more information, contact your County Auditor or Treasurer. A complete listing of local official contact information can be found online at http://www.in.gov/serv/dlqf_officials.

Additional investment deduction information is available from the Indiana Department of Local Government Finance at (317) 232-3777 or online at www.in.gov/dlqf.